



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BELL COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES AND
SHERIFF'S SETTLEMENT - 2000 UNMINED COAL TAXES**

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To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jennifer Jones, Bell County Judge/Executive
Honorable Harold Harbin, Bell County Sheriff
Members of the Bell County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the Bell County Sheriff's Settlement - 2000 Taxes and 2000 Unmined Coal Taxes.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Bell County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**AUDIT EXAMINATION OF THE
BELL COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES
SHERIFF'S SETTLEMENT - 2000 UNMINED COAL TAXES**

November 17, 2001

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BELL COUNTY SHERIFF'S SETTLEMENT - 2000 TAXES AND 2000 UNMINED COAL TAXES

November 17, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement 2000 Unmined Coal Taxes for Bell County Sheriff as of November 17, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Sheriff collected net taxes of \$4,066,450 for the districts for 2000 taxes. Sheriff distributed taxes of \$4,099,788 to the districts for 2000 Taxes. Tax refunds of \$33,807 are due to the Sheriff from the taxing districts.

Debt Obligations:

The Sheriff owes \$32,873 of 10% add-on fees to the fee account. The Sheriff also owes the county \$2,785 for advertising fees.

Report Comments:

Inaccurate financial statements and overpayment to taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

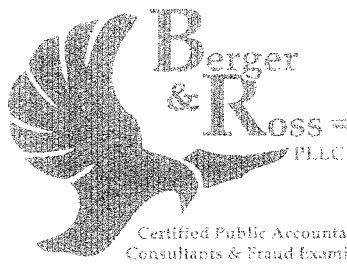
Subsequent Event:

None.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2000 TAXES	3
SHERIFF'S SETTLEMENT - 2000 UNMINED COAL TAXES	5
NOTES TO FINANCIAL STATEMENT	6
COMMENTS AND RECOMMENDATIONS	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13



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Mention:

View our Website: www.irsrescue.com
We are a national firm with offices in
Louisville, Kentucky, and other cities.
We are a member of the American Institute of
Certified Public Accountants (AICPA).
We are also a member of the Kentucky
Association of Public Accountants (KAPPA).

Bob Ross, MBA, CPA, CFE
Todd A. Berger, CPA

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jennifer Jones, Bell County Judge/Executive
Honorable Harold Harbin, Bell County Sheriff
Members of the Bell County Fiscal Court

Independent Auditor's Report

We have audited the Bell County Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement - 2000 Unmined Coal Taxes as of November 17, 2001. This tax settlement is the responsibility of the Bell County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Bell County Sheriff's taxes charged, credited, and paid as of November 17, 2001, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated June 14, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
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Honorable Jennifer Jones, Bell County Judge/Executive
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Members of the Bell County Fiscal Court
(Continued)

Based on the results of our audit, we have presented a schedule of comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The Sheriff should prepare accurate financial statement.
- The Sheriff should collect overpayment to taxing districts.
- The Sheriff should pay advertising costs to the fee account.
- The Sheriff owes his fee account \$4,279 in commissions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
June 14, 2002

BELL COUNTY
HAROLD HARBIN, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

November 17, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 627,954	\$ 551,866	\$ 915,888	\$ 670,785
Tangible	120,580	74,614	156,450	274,008
Intangible	-	-	-	63,093
Fire Acreage	3,258	-	-	-
Omitted Tax Bills	120	106	179	1,929
Oil, Gas, UND, Sand, Lm, Gr.	5,449	4,790	18,204	5,821
Total Per Sheriff's Official Receipt	\$ 757,361	\$ 631,376	\$ 1,090,721	\$ 1,015,636
Other Taxes and Charges				
Correcting Erroneous Assessments	72	48	219	574
Penalties & Interest	8,747	7,382	15,825	11,115
Franchise Corporation	206,009	149,103	488,351	-
Gross Chargeable to Sheriff	\$ 972,189	\$ 787,909	\$ 1,595,116	\$ 1,027,325
<u>Credits</u>				
Exonerations	\$ 10,008	\$ 8,325	\$ 25,578	\$ 14,401
Delinquents	33,893	30,080	65,447	39,545
Unpaid Franchise	5,682	3,638	3,927	-
Discounts	9,490	7,863	12,065	12,907
Total Credits	\$ 59,073	\$ 49,906	\$ 107,017	\$ 66,853
Net Tax Yield	\$ 913,116	\$ 738,003	\$ 1,488,099	\$ 960,472
Less: Commissions*	39,095	31,365	44,643	41,108
Taxes Due Districts	\$ 874,021	\$ 706,638	\$ 1,443,456	\$ 919,364
Taxes Paid	882,638	711,362	1,500,519	926,995
Less: Refunds (Current & Prior Year)	709	571	1,767	889
Less: Commission Refunds From School			(44,643)	
Less: Refunds from State	-	-	-	(3,507)
		**	***	
Refund Due Sheriff as of Completion of Fieldwork	\$ (9,326)	\$ (5,295)	\$ (14,187)	\$ (5,013)

The accompanying notes are an integral part of these financial statements.

BELL COUNTY
HAROLD HARBIN, SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES
November 17, 2001
(Continued)

*Commissions:	10% on	\$	10,000
	4.25% on	\$	2,611,591
	4% on	\$	1,488,099
**Special Taxing Districts:			
Library District		\$	(2,062)
Health District			(1,728)
Solid Waste District			(1,505)
Refunds Due Sheriff		\$	<u>(5,295)</u>
***School Districts			
Bell County		\$	(10,838)
Pineville Independent			<u>(3,348)</u>
Total School Districts			<u><u>(14,186)</u></u>

The accompanying notes are an integral part of these financial statements.

BELL COUNTY
HAROLD HARBIN, SHERIFF
SHERIFF'S SETTLEMENT - 2000 UNMINED COAL TAXES

November 17, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 20,738	\$ 18,224	\$ 69,282	\$ 22,152
Penalties	<u>2</u>	<u>2</u>	<u>7</u>	<u>2</u>
		-		
Gross Chargeable to Sheriff	<u>\$ 20,740</u>	<u>\$ 18,226</u>	<u>\$ 69,289</u>	<u>\$ 22,154</u>
		-		
<u>Credits</u>		-		
Exonerations	\$ -	\$ -	\$ -	\$ -
Delinquents	103	90	343	110
Discounts	<u>353</u>	<u>310</u>	<u>1,178</u>	<u>377</u>
		-		
Total Credits	<u>\$ 456</u>	<u>\$ 400</u>	<u>\$ 1,521</u>	<u>\$ 487</u>
		-		
Net Tax Yield	\$ 20,284	\$ 17,826	\$ 67,768	\$ 21,667
Less: Commissions*	<u>862</u>	<u>758</u>	<u>2,033</u>	<u>921</u>
Taxes Due Districts	\$ 19,422	\$ 17,068	\$ 65,735	\$ 20,746
Taxes Paid	19,420	17,066	67,760	20,744
Less: Commission Refunds from School	<u>-</u>	<u>-</u>	<u>(2,033)</u>	<u>-</u>
		**	***	
Taxes Due Districts(Refund Due Sheriff)				
	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 8</u>	<u>\$ 2</u>
*Commissions:	4.25% on	\$ 59,777		
	4% on	\$ 67,768		
**Special Taxing Districts				
Library District		\$ 1		
Health District		<u>1</u>		
		<u>\$ 2</u>		
***Bell County Schools		<u>\$ 8</u>		

The accompanying notes are an integral part of these financial statements.

BELL COUNTY
HAROLD HARBIN, SHERIFF
NOTES TO FINANCIAL STATEMENT

November 17, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of November 17, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

BELL COUNTY
HAROLD HARBIN, SHERIFF
NOTES TO FINANCIAL STATEMENT
November 17, 2001
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 16, 2000 through November 17, 2001.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2000. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 23, 2000 through November 17, 2001.

Note 4. Interest Income

The Bell County Sheriff earned \$5,283.92 as interest income on 2000 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Bell County Sheriff collected \$32,873 of 10% add-on fees allowed by KRS 134.430(3). Of the total amount collected, \$27,690 was paid to the taxing districts in error and remaining \$5,183 is still in the 2000 tax account.

Note 6. Advertising Costs And Fees

The Bell County Sheriff collected \$6,990 of advertising costs allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed \$4,205 of the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office and the remaining amount of \$2,785 remains in the 2000 tax account.

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COMMENTS AND RECOMMENDATIONS

BELL COUNTY
HAROLD HARBIN, SHERIFF
COMMENTS AND RECOMMENDATIONS

NOVEMBER 17, 2001

1) The Sheriff Should Collect Amounts Due

The Sheriff should collect amounts (due sheriff) as follows:

County	\$9,326
Library	2,061
Health	1,728
Solid Waste	1,505
Common School	10,838
Pineville Independent School	3,348
State	5,012

The overpayments resulted primarily from the payment of the Sheriff's 10% add-on fees to the taxing districts. We recommend these overpayments be collected and the money due the fee account be paid accordingly.

Sheriff's Response: Agrees and understands mistakes.

2) The Sheriff Should Prepare Accurate Financial Statement

The Sheriff should prepare accurate financial statements. There were mathematical errors and appropriate credit not taken for exonerations on the final settlement resulting in misstatements that could be misleading to readers of the financial statement. We recommend that greater care be given in preparing the financial statements.

Sheriff's response: Will try to do better in the future

3) The Sheriff Should Pay Advertising Costs To The Fee Account.

The Sheriff owes an additional \$2,785 in advertising costs to his fee account. We recommend that this amount be paid.

Sheriff's response: Will pay the amount due

4) The Sheriff Should Pay Commissions To The Fee Account.

The Sheriff underpaid his fee account \$4,279 in commissions. We recommend that when all refunds are received that he pay the fee account the money due.

Sheriff's response: Will comply

BELL COUNTY
HAROLD HARBIN, SHERIFF
COMMENTS AND RECOMMENDATIONS
NOVEMBER 17, 2001
(Continued)

INTERNAL CONTROL-REPORTABLE CONDITIONS

None.

INTERNAL CONTROL-MATERIAL WEAKNESSES:

None.

Prior Year:

- The Sheriff should prepare accurate financial statement.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Bell County Sheriff's Settlement - 2000 Taxes and 2000 Unmined Coal Taxes as of November 17, 2001, and have issued our report thereon dated June 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bell County Sheriff's Settlement - 2000 Taxes and 2000 Unmined Coal Taxes as of November 17, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Sheriff should prepare accurate financial statement.
- The Sheriff should collect overpayment to taxing districts.
- The Sheriff should pay advertising costs to the fee account.
- The Sheriff owes his fee account \$4,279 in commissions.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bell County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
June 14, 2002

